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AZ CORP COMMISSION
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Attorney for Pine Strawberry Water Improvement District

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF PINE WATER COMPANY FOR A
DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT AND
PROPERTY, A RATE INCREASE AND FOR
APPROVAL TO INCUR LONG-TERM DEBT.

DOCKET NO. W-03512A-03-0279

INTERROGATORIES TO PINE WATER
COMPANY

Arizona Corporation Commission

DOCKETED

NOV 10 2003

DOCKETED BY

TO: PINE WATER COMPANY, and its attorney of record.

Pursuant to Rule 33, Arizona Rules of Civil Procedure and the Order of the Hearing Officer in the above captioned matter, you are hereby required to answer in writing and under oath, within ten (10) days, the following interrogatories, in accordance with the following instructions.

INTERROGATORIES

I. INSTRUCTIONS

(A) These interrogatories shall be deemed continuing so as to require supplement answers if you obtain further or additional information with respect to the subject matter of any of these interrogatories after your answers have been made.

(B) As used herein, "person" shall mean any natural person, firm, partnership, joint venture, corporation or other entity.

(C) Whenever an interrogatory requests that you identify a person, state his or its full name and complete present or last known residential and business address and phone numbers.

Where the "person" identified" is an individual, state in addition: (i) the name and address of the person who was his employer at the time relevant to the interrogatory; (ii) his present

1 employer's name, address and phone number; (iii) his occupation, position or job title at the time
2 relevant to the interrogatory. If he is self-employed, give the name under which he generally does
3 business.

4 Where the "person" identified is not an individual, state, in addition: (i) the address of its
5 principal place of business; (ii) the name of its principal executive officer; and (iii) the name of its most
6 senior officer or employee having knowledge of the subject matter of the interrogatory and his present
7 business title and business address. In the case of business entities, please also list the names of any
8 successor entities, please also list the names of any successor entities known to you.

9 (D) The information requested by these interrogatories shall include any and all information
10 (from whatever source derived) which is in the possession, custody, or control of you, your attorneys,
11 agents, servants, employees, representatives or officers, or similar persons.

12 (E) In the event that your answer to any interrogatory is "not applicable" or any similar phrase
13 or answer, explain in detail why that interrogatory is not applicable. In the event that your answer to any
14 interrogatory is "don't know" or any similar phrase or answer, identify the person who, if anyone, would
15 know the answer to the interrogatory or explain how and where the answer to that interrogatory might be
16 found.

17 (F) Whenever these interrogatories request that you identify a document, (1) attach a copy of
18 the document hereto (giving the date and description of the document), OR (2) identify the document
19 sufficiently so that it may be discovered under Rule 34 of Arizona Rules of Civil Procedure. Your
20 identification must include: (i) the date of the document; (ii) the identity of the signers of the document;
21 (iii) the names of all persons identified thereon as recipients of the original or copies thereof; (iv) a brief
22 statement summarizing or generally describing its contents; (v) the identity of the person in whose
23 possession the document now is; and (vi) the identity of each person in whose possession a copy of the
24 document now is.

25 (G) Whenever these interrogatories request that you describe a conversation, state the date,
26 time, and place of the conversation. In addition, identify each person present or participating and state in
27 as much detail as possible what each person said during the conversation. In addition, if it was a phone
28 conversation, identify the location of each speaker.

1 (H) Where an interrogatory calls for an answer which involves more than one subpart, each
2 subpart of the answer should be set forth separately so that it is clearly understandable and responsive to
3 the respective subpart.

4 (I) The following definitions are applicable to these interrogatories:

- 5 1. "Pine Water Company," the "Company", "you" or "your" means the PINE WATER COMPANY
6 in the above-captioned matter, and the past and present employees, representatives, agents and
7 attorneys of Plaintiff and any and all subsidiary companies, related companies or any and all
8 parent companies or holding companies which hold stock in Pine Water Company, including, but
9 not limited to Brooke Utilities, Inc., and Crystal Investments L.L.C.
- 10 2. "Any," "each" and "all" shall be read to be all inclusive, and to require the production of each and
11 every document (as hereinafter defined) responsive to the particular request for production in
12 which such term appears.
- 13 3. "And" and "or" and any other conjunctions or disjunctions used herein shall be read both
14 conjunctively and disjunctively so as to require the production of all documents (as hereinafter
15 defined) responsive to all or any part of each particular request for production in which any
16 conjunction or disjunction appears.
- 17 4. "Arms Length Transaction" means a transaction between two willing independent unrelated or
18 unaffiliated parties which have no substantial disparity of bargaining power, that is the result of
19 real negotiating and is within a reasonable range in light of the market price in the area for the
20 services provided or the asset or assets sold, conveyed or involved in the transaction..
- 21 5. "Hearing" shall mean any proceeding before the Arizona Corporation Commission to which the
22 Pine Water Company is a party in any capacity.
- 23 6. "Person" means an individual, firm, corporation, association, organization or any other entity.
- 24 7. The term "document" includes all electronic media or other tangible forms in which information
25 is stored and includes all written or graphic matter of every kind and description, however
26 produced or reproduced, WHETHER DRAFT OR FINAL, original or reproduction, including,
27 but not limited to, letters, correspondence, memoranda, notes, films, transcripts, contracts,
28 agreements, licenses, memoranda of telephone conversations or personal conversations,
29 microfilm, telegrams, books, newspaper articles, magazines, advertisements, periodicals,

bulletins, circulars, pamphlets, statements, notices, reports, rules, regulations, directives, teletype messages, minutes of meetings, interoffice communications, reports, financial statements, ledgers, books of account, proposals, prospectuses, offers, orders, receipts, working papers, desk calendars, appointment books, diaries, time sheets, logs, movies, tapes for visual or audio reproduction, recordings or materials similar to any of the foregoing, however denominated, and including writings, drawings, graphs, charts, photographs, data processing results, printouts and computations (both in existence and stored in memory components), and other compilations from which information can be obtained or translated, if necessary, through detection devices into reasonably usable form. THE TERM "DOCUMENT" INCLUDES ALL COPIES OF A DOCUMENT WHICH CONTAIN ANY ADDITIONAL WRITING, UNDERLINING, NOTES, DELETIONS, OR ANY OTHER MARKINGS OR NOTATIONS, OR ARE OTHERWISE NOT IDENTICAL COPIES OF THE ORIGINAL.

8. "Commission" refers to the Arizona Corporation Commission, also referred to as the ACC.
9. "District" means the Pine/Strawberry Water Improvement District
10. "Identify" when used in referring to a person, shall mean to state the following with regard to the person: (a) name; (b) last known address; (c) residence and business telephone numbers; (d) relationship to you; and (e) occupation at the date of these data requests.
11. "Identify" and "identity" with respect to a document mean to state the name or title of the document, the type of document (e.g., letter, memorandum, telegram, computer input or output, chart, etc.), its date, the person(s) who authored it, the person(s) who signed it, the person(s) to whom it was addressed, the person(s) to whom it was sent, its general subject matter, its present location, and its present custodian. If any such document was in Staff's possession or subject to its control, but is no longer, state what disposition was made of it and explain the circumstances surrounding, and the authorization for, such disposition, and state the date or approximate date of such disposition.
13. 11. "List," "describe," "explain," "specify" or "state" shall mean to set forth fully, in detail, and unambiguously each and every fact of which Staff has knowledge which is relevant to the answer called for by the data request.

1 12. "Staff" refers to the Commission's Utilities Division Staff and any employee, servant, agent,
2 consultant, expert advisor, attorney, representative, or other person acting under its control or on
3 its behalf.

4 14. "Strawberry Water" means Strawberry Water Company.

5
6 (J) In responding to these Data Requests, please indicate the person or persons responsible for
7 the compilation of the information provided in response to each request.
8

9 (K) If any information is withheld under claim of privilege, confidentiality or proprietary trade
10 secret, you are required to: (1) identify in writing such information with sufficient particularity as to
11 permit the Commission to make a full determination as to whether the claim or privilege is valid; (2)
12 identify the nature of the privilege(s) asserted; and (3) identify the factual basis of the claim of privilege.
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1. What private individuals, other utility companies, or other entities does Pine Water Co., Strawberry Water Co., or Brooke Utilities (and other related firms) acquire water from, such water potentially feeding into the Pine Water Co. system, and what does this water cost, how much has been used annually the last three years, and what are the terms of any agreements?
2. Do any of the entities identified above share the same employees, officers, directors, Shareholders, or Creditors? If so, please state with detail and particularity the names and addresses of each such shared persons or identities.
3. What are the terms and costs of any service agreements with Brooke Utilities or any other vendors related to transporting water from the source to the Pine Water Co. or to Strawberry Water Co., and have any of these transactions involved a middleman or other entity besides the actual transportation entity?
4. What terms of sale, transaction relationships, and ownership relationships does Pine Water Co. have with entities related to Strawberry Water Co., Brooke Utilities, Robert Hardcastle, Crystall Investments L.L.C., Jayco or Jayco Oil Company, or similar entities that are not arms-length transactions that effect the cost of water (including purchase, transportation or wheeling), or reliability of water supply to Pine Water Co?
5. State with detail and particularity and provide appropriate documentation to substantiate the answer, who presently owns Project Magnolia? Has anyone or any entity ever owned it or a portion of it? If so, who?
6. Does Pine Water Company or any of its related entities own or control any of the sources of water which are sold to Pine Water Company? If so, please identify which sources are owned or controlled, in whole or in part by Pine Water Company, as defined herein, or any entity related to any participant or investor in Pine Water Company.
7. Who trucks water for Pine Water Company, as defined herein? Does Pine Water Company, or any entity having any ownership interest in Pine Water Company or any entity owning the same, have any ownership interest in any entity trucking water for Pine Water Company?
8. Is Brooke Utilities a regulated utility company and is it (or related entities or individuals) the sole or partial owner of Project Magnolia or any other transportation entity that has or will be

- 1 transporting water in the pipeline or by truck from Strawberry or other locations to Pine or to
2 Strawberry, with ultimate flow of the water to Pine Water Co.?
- 3 9. Has Brooke Utilities or Pine Water Co. ever sought a willing buyer for Pine Water Co. securities
4 or assets for any reason?
- 5 10. Who are the beneficial owners or principals of Crystal Investments L.L.C., and Jayco and what
6 other firms or entities are related thereto?
- 7 11. What hard dollar expenditures has Pine Water Co. made in the last three years to explore for or
8 acquire additional water resources for Pine Water Co., and what have been the results of such
9 expenditures?
- 10 12. What quantity of water has been transferred by Strawberry Water Co. to Pine Water Co. each
11 year from 1997 through 2002, and to date in 2003, at what cost, by what method (truck, pipeline,
12 other means), and who were the vendors providing the water and the transportation or wheeling
13 services?
- 14 13. What are the monthly water amounts and wheeling charges that occurred with project Magnolia
15 since inception of the operation of the pipeline that resulted in any inter-company payable or
16 transactions from Pine Water Co. to Brooke Utilities?
- 17 14. What have been the financial terms and costs of water sales from Strawberry Water Co., Brooke
18 Utilities, or other water suppliers to Pine Water Company, and was any of this water sold from a
19 supplier to an intermediary buyer, and later sold to Pine Water Co.?
- 20 15. What expenditures had Pine Water Co. made, and to whom, for legal services related to rate
21 hearings, or possible infringements of its Certificate of Convenience and Necessity during the
22 last five calendar years, and to date in 2003?
- 23 16. By the month, over the last five calendar years and to date in 2003, what has been the total
24 quantity of water pumped from wells owned by Pine Water Company or purchased by Pine
25 Water Company, compared to metered deliveries, and what accounts for any differences?
- 26 17. Has Pine Water Co. ever, or is it currently, negotiating for the use, sale, or trade of its CAP water
27 allocation?
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- 1 18. During the last three calendar years, or during the current year, has Pine Water Co. failed any
2 monitoring tests, had any water quality or operating issues, or violated any orders with ADEQ,
3 EPA, ACC, or other regulatory bodies, and if so, how many issues or violations and what type?
- 4 19. Has Pine Water Co. ever installed a meter on a property other than the parcel that applied for or
5 was approved for such a meter? If so, please state with detail and particularity the location of said
6 property and the justification for the installation of such meter.
- 7 20. In the last three calendar years, or during the current year, has Pine Water Co., Strawberry Water
8 Co., Brooke Utilities, or other related firms had any discussions with private well owners which
9 supply water to any of these related firms concerning possibly decreasing supplies of water or
10 taking any wells off line?
- 11 21. What was the cost of constructing the Project Magnolia pipeline, is it complete, when was it put
12 into service, what are the operating costs, and how are operating and capital costs being allocated
13 to Pine Water Co.?
- 14 22. Over the past five years, has Pine Water Co. completed their five-year business projections and
15 submitted it to the ADEQ Capacity Development Coordinator, and if so, what did the reports
16 contain? Please attach a copy of said report or reports to your responses to these Interrogatories.
- 17 23. Has Pine Water Co., Strawberry Water Co., Brooke Utilities, or any related firms ever
18 participated, or been invited to participate in, water development activities of The Northern Gila
19 County Water Project Alliance, The Mogollon Rim Water Resource Management Study, or the
20 Pine/Strawberry Water Improvement District Water Resource and Action Plan, and if so to what
21 extent have the entities participated, or if not on what basis have they declined to participate?
- 22 24. Over the last five years, has Pine Water Co., Strawberry Water Co., Brooke Utilities, or any
23 related firms completed any studies on availability of additional water in the Pine and Strawberry
24 areas, and if so what were the results of such studies? Please attach a copy of each such study to
25 your responses to these interrogatories.
- 26 25. Month-to-month over the past five years, what has been the backlog of requested meter
27 installations in Pine and Strawberry service areas that have not been installed, and what is the
28 reason for not making each specific installations?
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- 1 26. Does Pine Water Company have the financial ability to continue paying its bills to vendors and
2 its parent company?
- 3 27. On the 12-31-02 balance sheet of Pine Water Co., an asset of \$369,000 for deferred income tax
4 debits is shown. Please explain what this asset is and why it is accounted for in this manner, and
5 why this accounting procedure does or does not meet generally accepted accounting principals or
6 established procedures for utility accounting as approved by ACC?
- 7 28. What all expenses are included in the line item of "transportation expenses" on the 1998-2002
8 income statements for Pine Water Co. (for example within the \$267,780 total in 2001 and the
9 \$176,144 total in 2002)?
- 10 29. Why is the property tax shown in Pine Water Co. income statements from 1999 thru 2002 up to
11 25 times the amount shown for Strawberry water Co.?
- 12 30. Why do repair and maintenance expenses for Pine Water Co. vary so dramatically (for example
13 \$-0- in 1999, \$11,261 in 2000, \$-0- in 2001, and \$59,423 in 2002) from year to year?
- 14 31. What is included in the outside service expense category on the 1998-2002 income statements for
15 Pine Water Co., and to whom was it paid?
- 16 32. What is included in the miscellaneous operating expense category (for example from \$55,761 to
17 \$124,658 per year, or 23% of revenues) on the 1998-2002 income statements for Pine Water Co.,
18 and to whom was it paid.
- 19 33. What is the source of the approximate \$494,709 in non-utility income, not offset by any non-
20 utility expenses, on the 2000 income statement for Pine Water Co.?
- 21 34. What is included in the accrued taxes category for Pine Water Co. (\$29,001 on 12-31-02) on the
22 12-31-02 balance sheet and why is this amount over 10 times the amount shown for Strawberry
23 Water Co. for the same time period?
- 24 35. Page 3, paragraph 6 of the Rate Application states that "the Company does not propose to change
25 the allocation of the revenue requirement between customer types", however Schedule A-1
26 indicates rate proposed increases from 26.04% to 174.26% between different customer types?
27 How is this not changing the allocation of revenue requirements between customer types?
28
29

- 1 36. If approved by the ACC, who will manage and direct the expenditure of funds raised by the
2 Water Exploration Surcharge and who will own and control any water discovered by virtue of the
3 expenditure of these monies?
- 4 37. When referring to the \$533,599 obligation owed to Brook Utilities by Pine Water Co., state with
5 detail and particularity why Pine Water Co. believes that "the probability that Pine Water can pay
6 this obligation in a timely manner, even under the proposed rates, is very low?
- 7 38. What is included in the "Advances in Aid of Construction" and "Contributions in Aid of
8 Construction-Net" on Schedule B-2 of the Rate Application, and what were these funds used to
9 construct?
- 10 39. As shown on Schedule E-5 of the rate application, why during 2002, did Pine Water Co. not
11 invest any monies into seeking new sources of water? Further, does Pine Water Company
12 believe that investing in new meters is money spent on new sources of water?
- 13 40. As shown on Schedule F-1 of the Rate Application, why are transportation expenses not expected
14 to decline since the pipeline system is now available to transport water?
- 15 41. State the names and addresses of each shareholder in Pine Water Company, Brooke Utilities,
16 Inc., Crystal Investment L.L.C. and any other entity falling within the definition of Pine Water
17 Company set forth herein and the number of shares owned by each in each such entity or
18 organization, setting forth the same by the name of the entity or organization.
- 19 42. On page 10 and 11 of Mr. Bourassa's testimony, he indicates the full \$533,599 inter-company
20 payable to Brooke Utilities was "The amounts owed related to wheeling charges . . .for deliveries
21 of water through Project Magnolia" (lines 10-11, page 11), yet he implies in lines 24-25 that
22 \$178,000 is related to "Loans for Plant" funded by short-term debt used for long-term-assets (the
23 plant additions) (line 17-18); thus is the \$533,599 debt really supposed to be \$711,599 (\$533,599
24 plus \$178,000)?
- 25 43. On page 12 of Mr. Bourassa's testimony he indicated "the Company is not credit worthy . . . and
26 Its current financial condition and current cash flow preclude it from finding a willing third party
27 lender." What lenders has the Company approached, when and what information has the
28 Company supplied to such lenders, and what has been the results of such inquiries? Have you
29

1 received any written responses from Lenders? If so, please attach copies of such written
2 responses to your answers to these interrogatories.

3 44. On p. 12 line 15 of Mr. Bourassa's testimony he indicates that "The current ratio . . . improves
4 from .06 to .33 " with the conversion of \$355,599 of current debt to equity and that "Anything
5 less than 1.0 is a sign of a firm's inability to pay its obligations in a timely manner", therefore
6 what is the status of the aged list of accounts payable as of the 2000 through 2002 yearends, and
7 as October-31, 2003?

8 45. Has the internal management of the Company, or any of its creditors in discussions with
9 management of the Company, had discussion of the option of bankruptcy of Pine Water Co.? If
10 so, please state who was involved in such discussions, when they occurred, and what was the
11 sum and substance of such discussion?

12 46. Does the management or ownership of Pine Water Co. have any prospects within one year to
13 bring substantial new equity investment to Pine Water Co.?

14 47. In the last year, has the Company been granted any adjustments in rates for water sharing and
15 water hauling costs, or are any hearings still pending before the ACC, and if so what are those
16 adjusted or proposed rates and Curtailment Tariffs? If the same have been approved, please
17 provide copies of all rate applications and all orders of the Commission pertaining to the same.

18 48. Has the Company prepared any preliminary plans on how to spend any funds collected under the
19 proposed Water Exploration Surcharge, and if so what are those preliminary plans?

20 49. State in detail and particularity, and provide all documents which reflect plans for the future
21 expenditures set forth on Schedule F-3 of the Rate Application submitted by Pine Water
22 Company.

23 50. Has the management of the Company ever projected or discussed what is the probable maximum
24 monthly water charge Company management thinks the average consumer will be able to pay to
25 a have a stable long-term supply of water in the Pine area, and if so what was the result of such
26 projection or discussion?

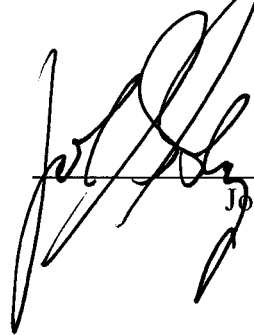
27 51. Does the Company believe Gila County is responsible for implementing water conservation
28 programs within the service areas of Pine Water Co.?
29

- 1 52. Does the Company believe Gila County is legally obligated or has the legal authority to restrict
2 growth in the Pine area?
- 3 53. Does the Company believe Gila County or other entities are ultimately responsible for
4 developing additional water resources that would be sold to, turned over to, conveyed to, or
5 otherwise distributed by Pine Water Co.?
- 6 54. Has the Company in the past, or currently, considering or taking action to condemn water wells,
7 storage or other water supplies from others who have supplies within the Pine-Strawberry area?
8 If so, please state with detail and particularity which water wells, water storage or water supplies
9 the Company has considered condemning.
- 10 55. What is the current status of the Pine Reservoir Project?
- 11 56. On page.14, line 25, of Mr. Hardcastle's testimony he indicates "none of the costs, including the
12 cost of purchasing water from Strawberry Water or the costs associated with the transportation of
13 that water through Project Magnolia, are being recovered by Pine Water", thus is he implying
14 these charges will never be recovered and thus they are not subject to rate-payer scrutiny, even
15 though he is attempting to add those charges to his investment base by converting the account
16 payable to Brooke to a loan and the balance to additional equity?
- 17 57. What Projected Construction Requirements of the Company are set forth on Schedule F-3 of the
18 Rate Application? State what projects will be covered by this expenditure.
- 19 58. What are the specific assets owned by Pine Water Company, the costs basis of each, the age of
20 each, the date each was put into service, the depreciation taken on each, the depreciation method
21 and the total accumulated depreciation on each asset listed separately by asset.
- 22 59. How much money has been received to date from the Water Augmentation charge and for what
23 expenses, in what amounts, have such funds been paid?
- 24 60. At what point in time, under what circumstances and for what reason was Project Magnolia
25 removed from the books of Pine Water Company and placed on or inserted in the books of
26 Brooke Utilities?
- 27 61. What is the basis for the \$15.00 per 1000 gallon wheeling charge for transferring water through
28 Project Magnolia? Was this charge ever established or approved by the Arizona Corporation
29 Commission? If not, why not?

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2 Respectfully submitted this 6th day of November, 2003.

3 LAW OFFICE OF JOHN G. GLIEGE

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John G. Gliege

Original and thirteen copies of the foregoing
sent this 6th day of November, 2003 to:

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